



UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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UNITED STATES OF AMERICA : INDICTMENT

- v. - :

S1 16 Cr. 338 (PKC)

WILLIAM T. WALTERS, :
a/k/a "Billy," :

Defendant. :

- - - - - X

COUNT ONE

(Conspiracy to Commit Securities Fraud)

The Grand Jury charges:

Relevant Entities and Individuals

1. At all times relevant to this Indictment, WILLIAM T. WALTERS, a/k/a "Billy," the defendant, was a sports bettor, businessman and investor, and served as the Chief Executive Officer and Chairman of the Board of Directors of The Walters Group, a holding company based in Las Vegas, Nevada that managed diversified investments and business ventures, including golf courses, real estate developments, and other investments. WALTERS was also the sole authorized trader for brokerage accounts in the name of The Walters Group and Nature Development B.V., an offshore entity that WALTERS controlled (the "WALTERS

Accounts").

2. At all times relevant to this Indictment, Dean Foods Company ("Dean Foods" or the "Company") was one of the leading dairy companies in the United States with headquarters in Dallas, Texas. At all times relevant to this Indictment, Dean Foods was a public company whose stock traded on the New York Stock Exchange ("NYSE") under the ticker symbol "DF." Dean Foods' written policies prohibited the unauthorized disclosure of Dean Foods' confidential information, including material, non-public information, which specifically included earnings information, business plans and forecasts, long-range strategic plans, and information related to pending litigation involving Dean Foods.

3. From at least in or about 2008 until in or about October 2012, WhiteWave-Alpro was a segment of Dean Foods that produced and distributed organic and other branded food and beverage products. On or about August 7, 2012, Dean Foods publicly announced that it intended to execute a spinoff of its WhiteWave-Alpro segment through The WhiteWave Foods Company (the "WhiteWave Spinoff"), a public company which was headquartered in Denver, Colorado ("WhiteWave"). On or about October 31, 2012, WhiteWave formally spun off from Dean Foods and, pursuant

to an Initial Public Offering ("IPO"), traded on the NYSE under the ticker symbol "WWAV."

4. At all times relevant to the Indictment, Darden Restaurants, Inc. ("Darden") owned and operated an assortment of restaurant brands throughout the United States. Headquartered in Orlando, Florida, Darden was a public company that traded on the NYSE under the ticker symbol "DRI."

5. At all times relevant to the Indictment, Thomas C. Davis ("Davis") was a member of the Board of Directors of Dean Foods (the "Board"), and from on or about May 1, 2013, until on or about August 7, 2015, Davis served as the Non-Executive Chairman of the Board. In his capacity as a member of the Board, Davis regularly received confidential information about Dean Foods' financial performance and results, contemplated and actual corporate transactions, and other significant corporate and strategic developments prior to Dean Foods' public announcements of such information (the "Inside Information"). As a director of Dean Foods, Davis had a fiduciary duty, among other obligations, to maintain the confidentiality of all of Dean Foods' confidential information, including the Inside Information. At various times, Davis reviewed and certified his understanding of his duties of trust

and confidence to Dean Foods.

The Relationship Between WALTERS and Davis

6. Since in or about the mid-1990s, and at all times relevant to this Indictment, WILLIAM T. WALTERS, a/k/a "Billy," the defendant, and Davis maintained a personal relationship and friendship founded on a shared interest in sports, golf, gambling and business. Beginning in at least 2007, WALTERS and Davis had numerous prospective and actual business dealings with each other, which included, among other things, the following:

a. In or about 2007, WALTERS invited Davis to invest in, or assist with, WALTERS' venture to purchase a number of golf courses from another entity. Davis attempted to assist WALTERS, but ultimately Davis did not invest in this venture.

b. In or about 2009, WALTERS asked Davis to help WALTERS enlist a Dallas-based bank to finance a golf course lease purchase that WALTERS was orchestrating. Davis introduced WALTERS to a Dallas bank, but WALTERS did not complete the transaction.

c. In or about April 2010, at Davis's request, WALTERS arranged for another individual ("Individual-1") to provide Davis with a personal loan in the amount of \$625,000 plus interest (the "April 2010 Loan"), which Individual-1 wired

to Davis on or about April 13, 2010, and which had a one-year term. In or about January 2012, WALTERS assumed responsibility for the balance of approximately \$647,000 on the April 2010 Loan, after which time Davis did not make a payment of interest or principal until June 2014.

d. In or about 2011, WALTERS and Davis together formed a limited liability corporation to invest in preferred shares of a software company (the "Software Company Investment"). WALTERS provided an initial capital contribution and received 80 percent of the profits, while Davis oversaw the Software Company Investment and received 20 percent of the profits.

e. In or about 2011, Davis began an effort to recapitalize a Dallas-based bank (the "Bank Recapitalization"). Davis solicited WALTERS to invest in the Bank Recapitalization, and WALTERS tentatively agreed to invest approximately \$2 million if Davis's effort was successful. In or about November 2011, WALTERS extended Davis a personal line of credit in the amount of \$400,000, which was payable either in stock if the Bank Recapitalization was successful, or with interest if the Bank Recapitalization failed. Davis borrowed \$350,000 from the line of credit (the "November 2011 Loan"). In the end, the Bank

Recapitalization failed, yet Davis never made a payment of interest or principal on the November 2011 Loan.

f. In or about 2013, Davis entered into a consulting agreement with a Texas-based limited partnership that provided benefits administration services (the "Texas LP"), which was in need of financing. Davis solicited WALTERS to provide a letter of credit for \$3 million in return for an equity stake of three percent in the Texas LP (the "Letter of Credit"). In or about November 2013, WALTERS agreed to provide the Letter of Credit through The Walters Group. In or about November 2014, the Letter of Credit expired, but WALTERS maintained his equity interest in the Texas LP.

The Insider Trading Scheme

Overview

7. From at least 2008 through in or about 2014, WILLIAM T. WALTERS, a/k/a "Billy," the defendant, and Davis participated in a scheme in which Davis provided material, non-public information to WALTERS, who used that information to purchase and sell securities, all of which occurred in the WALTERS Accounts.

8. In furtherance of the scheme, Davis obtained Inside Information through his role as a member of the Board,

including information related to Dean Foods' financial outlook and performance, earnings results, and the WhiteWave Spinoff. Davis provided Inside Information to WILLIAM T. WALTERS, a/k/a "Billy," the defendant, in violation of (i) fiduciary and other duties of trust and confidence owed by Davis to Dean Foods and its shareholders; (ii) expectations of confidentiality held by Dean Foods; (iii) written policies of Dean Foods regarding the use and safekeeping of confidential business information; and (iv) agreements between Dean Foods and Davis to maintain information in confidence.

9. WILLIAM T. WALTERS, a/k/a "Billy," the defendant, knowing that Davis had disclosed the Inside Information to him in violation of duties of trust and confidence, used the Inside Information to execute profitable trades in Dean Foods stock, which earned WALTERS realized and unrealized profits of approximately \$32 million and avoided losses of approximately \$11 million. On certain trading days, WALTERS' purchases or sales based on Inside Information amounted to more than 30 percent of the total daily trading volume in Dean Foods stock.

10. In addition, Davis received material, non-public information about Darden (the "Darden Inside Information") from an investment firm in New York ("Investment Firm A") which had

solicited Davis to become an investor in, or director of, Darden. Davis provided the Darden Inside Information to WILLIAM T. WALTERS, a/k/a "Billy," the defendant, in violation of (i) an agreement of confidentiality between Davis and Investment Firm A, and (ii) fiduciary and other duties of trust and confidence owed by Davis to Investment Firm A.

11. WILLIAM T. WALTERS, a/k/a "Billy," the defendant, knowing that Davis had disclosed the Darden Inside Information to him in violation of a duty of confidentiality, used the Darden Inside Information to execute profitable trades in Darden stock that earned WALTERS illegal profits of approximately \$1 million.

12. In exchange for providing material, non-public information about Dean Foods and Darden to WILLIAM T. WALTERS, a/k/a "Billy," the defendant, which WALTERS used to make profitable securities trades, Davis received significant benefits from WALTERS, including approximately \$1 million in loans that were, in large measure, never repaid by Davis.

WALTERS' Insider Trading in Dean Foods

Dean Foods' April 30, 2008 Earnings Announcement

13. On or about April 30, 2008, prior to the open of the stock market, Dean Foods publicly announced its financial

results for the first quarter of 2008 and reported earnings that exceeded analysts' expectations (the "April 30, 2008 Earnings Announcement"). Davis, in his capacity as a member of the Board, possessed Inside Information concerning the Company's first quarter earnings before it was made public in the April 30, 2008 Earnings Announcement.

14. As set forth below, Davis provided Inside Information to WILLIAM T. WALTERS, a/k/a "Billy," the defendant, in advance of the April 30, 2008 Earnings Announcement. Specifically, in or about February 2008 and in or about March 2008, Davis provided WALTERS with Inside Information relating to, among other things, Dean Foods' internal full-year forecasts and quarterly financial results, which information WALTERS used to execute securities transactions in Dean Foods stock:

a. On or about February 25, 2008, WALTERS and Davis spoke on the telephone for approximately 15 minutes. Less than 30 minutes after WALTERS and Davis concluded their conversation, WALTERS placed a telephone call to his Las Vegas, Nevada-based broker ("Broker-1") and purchased 200,000 shares of Dean Foods stock. By the end of the trading day on February 29, 2008, WALTERS had purchased approximately 1.7 million shares of Dean Foods stock.

b. On or about March 24, 2008, WALTERS called Davis and they spoke for approximately 10 minutes. Immediately after WALTERS disconnected from this call, WALTERS called Broker-1 and purchased 462,200 shares of Dean Foods stock. On or about March 25, 2008, WALTERS purchased an additional 50,000 shares of Dean Foods stock, increasing his total investment in Dean Foods stock to approximately 2.2 million shares.

15. After the April 30, 2008 Earnings Announcement, Dean Foods stock closed the trading day at \$23.24 per share, up from \$22.52 the previous day. As a result of trading on the Inside Information, WILLIAM T. WALTERS, a/k/a "Billy," the defendant, earned realized and unrealized profits of approximately \$2.6 million.

Dean Foods' June 25, 2008 Guidance Announcement

16. On or about June 25, 2008, prior to the open of the stock market, Dean Foods publicly announced that it had raised its second quarter earnings guidance from 26 cents per share to 31 cents per share due to strong performance and cash flows (the "June 25, 2008 Guidance Announcement"). Davis, in his capacity as a member of the Board, possessed Inside Information concerning the Company's second quarter performance that led to the change in guidance before it was made public in

the June 25, 2008 Guidance Announcement.

17. As set forth below, in advance of the June 25, 2008 Guidance Announcement, Davis provided Inside Information to WILLIAM T. WALTERS, a/k/a "Billy," the defendant, including, among other things, that Dean Foods' financial performance for the second quarter of 2008 was better than Wall Street's expectations, which information WALTERS used to execute securities transactions in Dean Foods stock:

a. On or about June 18, 2008, Davis returned a telephone call from WALTERS and they spoke for approximately seven minutes.

b. On or about June 19, 2008, WALTERS called Broker-1 four times. That day, WALTERS purchased approximately 1.9 million shares of Dean Foods stock. Later that day, after the market close, Davis returned another telephone call from WALTERS, and they spoke for approximately 15 minutes.

c. On or about Friday, June 20 and Monday, June 23, 2008, WALTERS purchased additional shares of Dean Foods stock. In total, on the three trading days from June 19, 2008 through June 23, 2008, WALTERS purchased approximately 3.95 million shares of Dean Foods stock, which constituted between approximately 29 and 37 percent of the daily trading volume in

the stock on those days.

18. After the June 25, 2008 Guidance Announcement, Dean Foods' stock price closed the trading day at \$20.12 per share, up from \$18.39 the previous day. As a result of trading on the Inside Information, WILLIAM T. WALTERS, a/k/a "Billy," the defendant, earned realized and unrealized profits of more than \$6 million.

Dean Foods' February 11, 2009 Earnings Announcement

19. On or about February 11, 2009, prior to the open of the stock market, Dean Foods publicly announced, among other things, its 2008 year-end financial results and fourth quarter earnings, which was the Company's most profitable quarter to date and which exceeded Wall Street's expectations (the "February 11, 2009 Earnings Announcement"). Davis, in his capacity as a member of the Board, possessed Inside Information concerning the Company's fourth quarter and year-end financial results before they were made public in the February 11, 2009 Earnings Announcement.

20. As set forth below, in advance of the February 11, 2009 Earnings Announcement, Davis provided Inside Information to WILLIAM T. WALTERS, a/k/a "Billy," the defendant. Specifically, at various times from in or about November 2008

until in or about February 2009, Davis informed WALTERS that, among other things, Davis remained positive about Dean Foods' financial results, notwithstanding market skepticism. WALTERS used this Inside Information to execute securities transactions in Dean Foods stock:

a. On or about November 5, 2008, the day after Dean Foods publicly announced poor third quarter earnings results that prompted the stock to decline by approximately 20 percent, WALTERS placed a telephone call to Davis and they spoke for approximately five minutes. Immediately after disconnecting with Davis, WALTERS called Broker-1. On or about November 5 and 6, 2008, WALTERS purchased one million shares of Dean Foods stock. By the end of the trading day on or about November 12, 2008, WALTERS owned 1.5 million shares of Dean Foods stock.

b. On or about February 10, 2009, the day before the February 11, 2009 Earnings Announcement, and following several calls between WALTERS and Davis in the preceding days, WALTERS purchased 300,000 shares of Dean Foods stock, which increased his total position in Dean Foods to 1.8 million shares.

21. Following the pre-market February 11, 2009 Earnings Announcement, Dean Foods stock closed the trading day

at \$19.59 per share, up from \$18.31 at the close of the previous day. As a result of trading on the Inside Information, WILLIAM T. WALTERS, a/k/a "Billy," the defendant, earned realized and unrealized profits of approximately \$5.5 million.

Dean Foods' May 10, 2010 Earnings Announcement

22. On or about Monday, May 10, 2010, prior to the open of the stock market, Dean Foods publicly announced its financial results for the first quarter of 2010, which were below Wall Street's expectations, and the Company suspended full-year guidance (the "May 10, 2010 Earnings Announcement"). Davis, in his capacity as a member of the Board, possessed Inside Information concerning the Company's first quarter results and its decision to explore a potential spinoff of WhiteWave before certain of the Inside Information was made public in the May 10, 2010 Earnings Announcement.

23. As set forth below, in advance of the May 10, 2010 Earnings Announcement, Davis provided Inside Information to WILLIAM T. WALTERS, a/k/a "Billy," the defendant, including, among other things, that the Company was exploring strategic options related to WhiteWave, and that Dean Foods' 2010 first quarter earnings would not meet Wall Street's expectations. WALTERS used this Inside Information to execute and cause to be

executed securities transactions in Dean Foods stock:

a. On or about Friday, April 9, 2010, WALTERS held a lunch meeting in Las Vegas, Nevada with Davis (the "April 9, 2010 Meeting"). At the April 9, 2010 Meeting, at Davis's request, WALTERS agreed to cause Individual-1 to provide Davis with a loan of \$625,000 with interest. In return, Davis provided Inside Information about Dean Foods to WALTERS, including, among other things, that Dean Foods had engaged an investment bank to explore strategic possibilities to separate WhiteWave from Dean Foods and capture unrealized shareholder value.

b. On or about Monday, April 12, 2010, the next business day following the April 9, 2010 Meeting, WALTERS purchased one million shares of Dean Foods stock, which constituted approximately 21 percent of the daily trading volume in the stock. On or about April 14 and 15, 2010, WALTERS purchased an additional 510,000 shares of Dean Foods stock.

c. On or about April 15, 2010, WALTERS called Individual-1 and they spoke for approximately one minute. On or about April 16, 2010, Individual-1 purchased 1,000 shares of Dean Foods stock.

d. On or about Sunday, May 2, 2010, Davis spoke

on the telephone with the Chief Executive Officer of Dean Foods (the "Dean Foods CEO"), who informed Davis that the Company's first quarter earnings had been poor. Later that day, Davis placed a telephone call to WALTERS and they spoke for approximately two minutes.

e. On or about May 3 and 4, 2010, WALTERS sold the 1.51 million shares he had purchased after the April 9, 2010 Meeting. These sales constituted approximately 29 and 16 percent, respectively, of the daily trading volume in the stock on those days.

f. On or about May 3, 2010, Individual-1 placed, and then cancelled, an order to sell the 1,000 shares of Dean Foods stock that Individual-1 had purchased on April 16, 2010. On or about May 6, 2010, Individual-1 sold the 1,000 shares of Dean Foods stock.

24. Following the pre-market May 10, 2010 Earnings Announcement, Dean Foods stock closed the trading day at \$10.47 per share, down approximately 28 percent from the previous day's closing price of \$14.63 per share. As a result of trading on the Inside Information, WILLIAM T. WALTERS, a/k/a "Billy," the defendant, avoided losses of approximately \$7.3 million.

25. From on or about May 10, 2010 until on or about

May 14, 2010, WILLIAM T. WALTERS, a/k/a "Billy," the defendant, purchased 1.5 million shares of Dean Foods stock, re-establishing the position he had held following the April 9, 2010 Meeting at a reduction in cost basis of approximately \$9.5 million.

The November 9, 2010 Earnings Announcement

26. On or about November 9, 2010, prior to the open of the stock market, Dean Foods publicly announced its financial results for the third quarter of 2010, which failed to meet Wall Street's expectations, and also announced that the Company's CFO planned to resign (the "November 9, 2010 Earnings Announcement"). Davis, in his capacity as a member of the Board, possessed Inside Information concerning, among other things, the Company's third quarter earnings and the resignation of the CFO before that Inside Information was made public in the November 9, 2010 Earnings Announcement.

27. As set forth below, in advance of the November 9, 2010 Earnings Announcement, Davis provided Inside Information to WILLIAM T. WALTERS, a/k/a "Billy," the defendant, including, among other things, the Company's disappointing 2010 third quarter financial performance and the planned resignation of the Company's CFO. WALTERS used this Inside Information to execute

securities transactions in Dean Foods stock:

a. On or about September 29, 2010, Davis called WALTERS and they spoke for approximately four minutes. On or about October 4 and 5, 2010, WALTERS purchased one million shares of Dean Foods stock.

b. On or about October 6, 2010, Davis placed a telephone call to WALTERS and they spoke for approximately five minutes. On or about October 6 and 7, 2010, WALTERS purchased an additional 500,000 shares of Dean Foods stock.

c. On or about October 21, 2010, Davis called WALTERS shortly before the market closed and they spoke for approximately three minutes. WALTERS then placed two telephone calls to Broker-1. Shortly thereafter, WALTERS placed several telephone calls to Davis, after which WALTERS placed another telephone call to Broker-1. On or about October 21 and 22, 2010, WALTERS sold all 1.5 million shares of Dean Foods stock that he had purchased approximately two weeks earlier, including a sale of 1.1 million shares on October 22, 2010, which constituted approximately 30 percent of the daily trading volume in the stock on that day.

28. Following the pre-market November 9, 2010 Earnings Announcement, Dean Foods stock closed the trading day

at \$8.50 per share, down from \$10.36 at the close of trading the previous day. As a result of trading on the Inside Information, WILLIAM T. WALTERS, a/k/a "Billy," the defendant, avoided losses of approximately \$2.2 million. Later that same day, on November 9, 2010, WALTERS purchased one million shares of Dean Foods, thereby reducing his cost basis for those shares by approximately \$1.3 million.

Dean Foods' May 9, 2012 Earnings Announcement

29. On or about May 9, 2012, prior to the opening of the stock market, Dean Foods publicly announced positive earnings for the first quarter of 2012. In addition, the Dean Foods CEO hosted a conference call at approximately 9:30 a.m. (the "May 9, 2012 Earnings Call"), during which the Dean Foods CEO reported the positive first quarter earnings and also stated that the Company was "mindful of the opportunity . . . to perhaps accrete value for our shareholder."

30. Prior to this announcement, Davis, in his capacity as a member of the Board, possessed Inside Information concerning the Company's first quarter earnings and its intention to pursue the WhiteWave Spinoff, certain of which Inside Information was made public in the May 9, 2012 Earnings Announcement. As set forth below, in advance of the May 9, 2012

Earnings Announcement, Davis provided Inside Information to WILLIAM T. WALTERS, a/k/a "Billy," the defendant, about, among other things, the Company's first quarter earnings and plans regarding the WhiteWave Spinoff. WALTERS used this Inside Information to execute securities transactions in Dean Foods stock:

a. On or about May 8, 2012, Davis participated by telephone in a meeting of the Audit Committee of the Dean Foods Board that was followed immediately by a meeting of the full Dean Foods Board (the "May 8, 2012 Board Meeting"). During the May 8, 2012 Board Meeting, the Board discussed the positive first quarter earnings, which, in addition to other favorable circumstances, resulted in the Company's decision to pursue a spinoff of WhiteWave. The Board further discussed the message the Dean Foods CEO would deliver to the market on the May 9, 2012 Earnings Call the following day.

b. Almost immediately after disconnecting from the May 8, 2012 Board Meeting, Davis called WILLIAM T. WALTERS, a/k/a "Billy," the defendant, and left a voicemail message. Approximately nine minutes later, WALTERS called a broker in New York, New York to whom WALTERS had transferred the WALTERS Accounts ("Broker-2"). Shortly thereafter, Broker-2 entered an